

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04
TRSE-00 LAB-04 SIL-01 OMB-01 SS-15 NSC-05 L-03 INT-05
/090 W

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R 071539Z DEC 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 2521

INFO ALL EC CAPITALS 2833

USMISSION OECD PARIS

USDEL MTN GENEVA

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: EEC, EIND, ETRD

SUBJ: EC FORWARD PROGRAM FOR STEEL

REF: (A) EC BRUSSELS 11735; (B) EC BRUSSELS 11929

1. EC COMMISSION HAS RELEASED FORWARD PROGRAM STEEL ESTIMATES FOR FIRST QUARTER 1977. COMMISSION SAYS FIGURES ARE FURTHER EVIDENCE THAT THE WEAK RECOVERY WHICH FOLLOWED THE 1975 RECESSION WAS SHORT-LIVED.

2. ACCORDING TO THE COMMISSION ORDER BOOKS HAVE FALLEN BELOW ONE-MONTH LEVEL FOR PRODUCTION AT CURRENT LEVEL OF PRODUCTION CAPACITY. EC STEEL ADVISORS HAVE TOLD MISSION THIS DEVELOPMENT POSES PROBLEMS FOR ACCURATE FORECASTING SINCE PRODUCTION RUNS MAY BECOME UNECONOMICAL LEADING TO BUNCHING OF ORDERS AND TEMPORARY DISAPPEARANCE FROM MARKET OF SOME PRODUCTS.

3. COMMISSION SPOKESMAN SAYS THAT IN ADDITION TO FALLING ORDERS, EC PRODUCERS CONTINUE TO SUFFER FROM UNSOLD INVENTORIES, BELOW-COST PRICES FOR MOST PRODUCTS, LAGGING EXPORTS, AND INCREASING IMPORTS.

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4. AT THE SAME TIME, EC OFFICIALS SAY THE EMPLOYMENT SITUATION IN THE COMMUNITY IS DETERIORATING RAPIDLY, ESPECIALLY IN THE CHARLEROI, OORRAINE AND SARR BASINS AND IN WALES AND SCOTLAND. STEEL FIRMS IN THESE AREAS HAVE HAD RECOURSE INCREASINGLY TO PART-TIME WORK; IN NOVEMBER THE NUMBER OF PARTIALLY EMPLOYED IN THE COMMUNITY STEEL INDUSTRY ROSE TO 66,030, COMPARED TO 28,951 IN OCTOBER AND 11,318 IN JULY.

5. COMMISSION OFFICIALS CLAIM THAT THE PROBABLE IMPLEMENTATION OF THE SIMONET CRISIS PLAN (REFTELS) HAS GIVEN FORWARD ESTIMATES FOR THE FIRST QUARTER 1977 A HIGH-SIDE BIAS TO ALLOW FOR SLIGHTLY EASIER IMPLEMENTATION OF PRODUCTION TARGETS. TABLE BELOW PRESENTS FIGURES AND ESTIMATES WHICH WILL BE DISCUSSED BY THE CONSULTATIVE COMMITTEE OF THE EUROPEAN COAL AND STEEL COMMUNITY ON DECEMBER 16.

FORECAST OF SUPPLY AND DEMAND FOR STEEL PRODUCTS IN THE COMMUNITY

(MILLIONS OF TONS OF CRUDE STEEL)

I/74 I/76 II/76 III/76 I/77

REAL CONSUMPTION 34.59 30.69 31.11 29.57 29.75

STOCK CHANGES -0.26 #0.55 #2.01 #1.90 -0.40

IMPORTS 2.06 2.80 3.44 3.35 2.80

EXPORTS 7.09 4.38 4.82 5.68 5.70

PRODUCTION 39.36 32.82 34.50 33.81 32.15

(NOTE: # IS PLUS SIGN).

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Margaret P. Grafeld
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